

Message Text

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PAGE 01 HONG K 06049 260830Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 EB-07 EPG-02 TRSE-00 STR-04

OMB-01 CEA-01 COME-00 AGRE-00 FRB-03 XMB-02

OPIC-03 /095 W

-----261222Z 051269 /45

R 260749Z MAY 77

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5038

INFO CINCPAC

AMEMBASSY MOSCOW

USLO PEKING

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 6049

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: PINT, PFOR, CH

SUBJECT: CHINA HIGHLIGHTS, NO. 11

1. CHINESE SEE PROGRESS ON NORMALIZATION IN NOTRE DAME SPEECH
CHINESE REACTION TO THE PRESIDENT'S NOTRE DAME SPEECH HAS BEEN
LIMITED TO DATE TO A RATHER FAVORABLE COMMENTARY IN THE HONG
KONG COMMUNIST NEW EVENING POST. IT QUOTED THE PORTIONS OF THE
SPEECH REFERRING TO CHINA AS A "CENTRAL ELEMENT" OF U.S. GLOBAL
POLICY AND A "KEY FORCE FOR PEACE". IT ALSO NOTED THE
PRESIDENT'S HOPE FOR "CLOSE COOPERATION" WITH CHINA AND HIS
CHARACTERIZATION OF SINO-U.S. RELATIONS AS "IMPORTANT". THE
ARTICLE CLAIMED THAT U.S. DIFFICULTIES WITH THE USSR AS WELL
AS MOSCOW'S RECENT "CURSING" AT CHINA HAS CAUSED THE U.S.
TO BE EVEN MORE INTERESTED IN MOVING AHEAD. THE SECRETARY'S
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"DECISION" TO ADVANCE HIS CHINA TRIP BY THREE MONTHS FOLLOWING
HIS TALKS WITH GROMYKO IS SEEN AS FURTHER EVIDENCE OF THE
ADMINISTRATION'S DESIRE TO IMPROVE RELATIONS WITH THE PRC.

2. PARTIAL PRC FIRST QUARTER TRADE RETURNS

CHINA HAS ACHIEVED A U.S.\$346 MILLION TRADE SURPLUS WITH FIVE

OF HER MAJOR NON-COMMUNIST TRADING PARTNERS (JAPAN, HONG KONG, WEST GERMANY, U.S.A. AND U.K.) DURING FIRST QUARTER 1977. THESE COUNTRIES ACCOUNTED FOR APPROXIMATELY 60 PERCENT OF PRC TRADE IN 1976. TO ACHIEVE THIS SURPLUS, THE PRC CONTINUED THE TREND WHICH BECAME EVIDENT IN THE SECOND HALF OF 1976, OF COMBINING SHARP CUTS IN IMPORTS WITH MODEST INCREASES IN EXPORTS. RECENT LARGE GRAIN AND SUGAR PURCHASES, HOWEVER, FROM ARGENTINA, CANADA, AUSTRALIA AND OTHERS, SOME OF WHICH HAVE ALREADY BEEN SHIPPED, WILL TEND TO COUNTERBALANCE ANY EARLY SURPLUSES ESTABLISHED WITH OTHER TRADING PARTNERS.

3. PRC EXPORT CAMPAIGN -- TO U.S. VIA HONG KONG

THE PRC IS MOVING ON SEVERAL FRONTS THROUGH ORGANIZATIONS IT CONTROLS IN HONG KONG TO EXPAND ITS PENETRATION OF THE U.S. MARKET. RECENT INITIATIVES INCLUDE (A) ESTABLISHMENT OF A FACILITY IN HONG KONG TO ASSEMBLE PRC-ORIGIN MACHINERY TO BE SOLD BY THE COMPANY'S AGENT OFFICES IN THE U.S.; (B) A REQUEST BY A PRC TRADING COMPANY IN HONG KONG FOR AMCHAM AND LOCAL NATIONAL COUNCIL FOR U.S.-CHINA TRADE ASSISTANCE REGARDING THE REGISTRATION OF PRC TRADEMARKS IN THE U.S.; AND (C) AN INQUIRY BY THE PRC'S CHINA RESOURCES COMPANY INTO POSSIBLE CONGEN ASSISTANCE IN ACQUIRING VISAS FOR A TRIP BY THREE STAFF MEMBERS TO SIX SEPARATE U.S. CITIES TO CARRY ON DIRECT DISCUSSIONS WITH U.S. TEXTILE IMPORTERS. THE LAST CASE SUCH VISITS AND UNDERLINES THE EMERGING PRC STRATEGY OF MAKING GREATER USE OF THE FLEXIBILITY AFFORDED BY ITS ORGANIZATIONS IN HONG KONG TO STEP UP ITS EXPORT DRIVE TO THE U.S.

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CROSS

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